Volume 6, Chapter III, Standard Reports, P-Reportable Payments File Reports. It should be reviewed periodically to:

1. Determine that payment transactions are coded properly - Staff familiar with the reportable payments process and the agency's purchases should review a sampling of payments to validate that payments are being coded with the appropriate Object Detail Code(s) and that vendors are classified correctly in the VE Table; and

2. Identify erroneous data - Review the P01 report sorted by Vendor Number/Suffix to ensure that:

    - ✪ Only one FEIN (Federal Employer Identification Number) or SSN (Social Security Number) is assigned for each vendor;

    - ✪ Obviously incorrect FEINs or SSNs such as a number composed of all **9**'s (use a P01 Report sorted by FEIN/SSN); and,

    - ✪ There is only one vendor for an FEIN or SSN. There might be more than one VE Table record containing the same FEIN/SSN for a vendor because of multiple payment addresses, but different vendors with the same FEIN/SSN is invalid. (May also use the X03 Report.)

    If erroneous data is identified, VE Table corrections will probably be necessary in addition to correcting the RP File.

    NOTE: If a vendor's FEIN or SSN is changed in the VE Table without corresponding corrections in the RP File, the vendor will receive a 1099 form issued with the erroneous FEIN/SSN for payments prior to the VE Table change and another issued with the correct FEIN/SSN for payments subsequent to the table change. Agencies are potentially liable for fines and penalties imposed by the IRS for erroneous reporting. See the *Correcting Vendor Edit Table Type or FEIN/SSN - RP File Adjustments* Section later in this chapter for procedures to change a vendor's FEIN/SSN.

Year-to-Date Reportable Payment Exception Report

The **P02 - Year-to-Date Reportable Payment Exception Report** is a listing of all payment transactions posted to the Reportable Payment File that will not be submitted to the FTB because of error conditions. These are payment transactions that have been flagged as "reportable", meaning that the Object Detail is reportable and the vendor is subject to reporting; however, the FEIN/SSAN has:

- ✪ A credit balance in any box;

  OR

- ✪ Numbers with all **9**'s.

This report is described in detail (including a sample) in Volume 6, Chapter III, Standard Reports, P-Reportable Payments File Reports. Except for the heading, the format of this report is identical to **CFY200-3 - 1099-MISC Exception Report For Tax Year *nnnn*** and **CFY200-4 - 1099-INT Exception Report For Tax Year *nnnn***. See the description of the two 1099 reports below.

The P02 Report is requestable any time during the year. It is useful for monitoring records in the RP File for errors. Unless corrected prior to the creation of the 1099 File (late December of each year), the agency must prepare a manual 1099 Form for each valid record shown on the P02 Report. For example, if there is a reportable payment made to a vendor with all **9**'s in the FEIN/SSN, this record will be held and not released to FTB and IRS. As a result, the agency **must** determine the correct FEIN/SSN, create a 1099 Form and submit it according to the instructions on the 1099 form.

Agencies should request the P02 Report on a regular basis and assign someone to review it. It is suggested that a P02 report be requested as part of the monthly closing cycle. All entries should be checked. (There may be legitimate reasons for assigning all **9**'s to some vendors.) ***Those entries in error should be corrected during the month. The report requested in early December ideally should have only intended entries on it.***

Listing of FEIN-SSN with Multiple Vendor Numbers

The **X03 - Listing of FEIN-SSN with Multiple Vendor Numbers** is an exception analysis report from the VE Table. It lists FEINs or SSNs that are assigned to more than one vendor record in the VE Table. This report is described in detail (including a sample) in Volume 6, Chapter III, Standard Reports, X-Vendor Edit Table File Reports.

A "null" report is produced when no records meet the selection criteria. If a report is produced, it must be carefully reviewed as follows:

- ✪ Multiple VE Table records containing the same FEIN/SSN are appropriate when identifying the same vendor using different payment addresses.
- ✪ Multiple VE Table records containing the same FEIN/SSN but identifying different vendors are not appropriate and must be corrected. If this situation is found, corrections may also be necessary in the RP File. See the *Correcting Vendor Edit Table Type or FEIN/SSN - RP File Adjustments* Section later in this chapter for procedures to change a vendor's FEIN/SSN.

EXHIBIT XII-3

```
CFY200-3 *************************   DEPARTMENT OF AIR QUALITY                          *********************** ORG NUMBER:   9990
                          CALSTARS    1099-MISC EXCEPTION REPORT FOR TAX YEAR 1999                              ORG PAGE:        8
12/16/99 (18.28) ********************************************************************************************** RUN PAGE:      191

                           **********************************************************************
                           * NOTE:  1099-MISC FORMS WERE NOT CREATED FOR THE FOLLOWING TAXPAYER *
                           *        IDENTIFICATION NUMBERS BECAUSE OF DATA EXCEPTIONS AS SHOWN  *
                           **********************************************************************

FEIN / SSN   VENDOR NO/SFX  BOX NO    *------------- VENDOR NAME -------------*   *----- VENDOR ADDRESS -----*
    ------ BATCH ID -----  DUP    CLAIM                  TRANS          OBJ  D11  INPUT  VEND                   AMOUNT
    DATE   TYPE  NO   SEQ  IND   SCHEDULE    INVOICE     CODE  FM  FFY  DTL  RPT   RPI   TYPE

999-99-9999  000000HINC-00    07      HINCLEY INC                                P. O. BOX 44-1122
   990328   04  237  00001  0    F981322   768141          240  09  98   227   7            I                      89.00

999-99-9999  000000BENS-00    07      BENSON ACTION INC                          1029 Z STREET
   9903I8   04  137  00001  0    F981234   PO9948          240  09  98   227   7            I                     189.00
   990609   04  236  00005  0    F981749   762131          240  12  98   227   7            I                      25.00

-----------------------------------------------------------------------------------------------------------------------------------
AMOUNTS BY BOX:  01 (RENTS)     02(ROYALTIES) 03 (OTHER INCOME)      06 (MEDICAL)  07 (NON-EMPL COMP) 13 (ATTORNEY GROSS FEES)
                       .00               .00                .00               .00              303.00                      .00
  999-99-9999 IS NOT A VALID SSN
-----------------------------------------------------------------------------------------------------------------------------------
```

```
CFY200-4 *************************   DEPARTMENT OF AIR QUALITY                          *********************** ORG NUMBER:   9990
                          CALSTARS    1099-INT EXCEPTION REPORT FOR TAX YEAR 1999                               ORG PAGE:        9
12/16/99 (18.28) ********************************************************************************************** RUN PAGE:      200

                           **********************************************************************
                           * NOTE:  1099-INT FORMS WERE NOT CREATED FOR THE FOLLOWING TAXPAYER  *
                           *        IDENTIFICATION NUMBERS BECAUSE OF DATA EXCEPTIONS AS SHOWN  *
                           **********************************************************************

FEIN / SSN   VENDOR NO/SFX  BOX NO    *------------- VENDOR NAME -------------*   *----- VENDOR ADDRESS -----*
    ------ BATCH ID -----  DUP    CLAIM                  TRANS          OBJ  D11  INPUT  VEND                   AMOUNT
    DATE   TYPE  NO   SEQ  IND   SCHEDULE    INVOICE     CODE  FM  FFY  DTL  RPT   RPI   TYPE

94-2333333   8000007896-00    01      CAL'S OFFICE SUPPLY                        P. O. BOX 2298
   990228   04  137  00001  0    F981222   26465435        240  08  98   545   5            P                         .99-
-----------------------------------------------------------------------------------------------------------------------------------
TOTAL OF BOX 01 (INTEREST)                                                                                            .99-
  NEGATIVE TOTAL AMOUNT DETECTED FOR BOX 01 (INTEREST)
-----------------------------------------------------------------------------------------------------------------------------------
```

2. Assuming the transaction is correctly coded, determine the valid FEIN/SSN (use Std 204 Form). Prepare a manual 1099 form for the vendor and submit it according to the instructions on the 1099 form.

3. If the transaction coding was incorrect, determine the correct coding. If the impact is only on the RP file (such as incorrect FEIN/SSN on the VE record) and the data is not reportable, mark it "not reportable". If the data should have been reported, prepare a manual 1099 form. If the error also impacts the accounting records, prepare TC 242 and TC 242R entries as necessary. When correcting errors after receiving the CFY200-3 and CFY200-4 reports, remember that TC 240/240R or other TCs posting to the RP File result in RP entries in the new tax year. This will cause future reporting problems. Once the CFY200-(series) reports are received by the agency (announced date in late December), the reporting tax year file is closed.

4. If the FEIN/SSN was used for a foreign vendor not subject to reporting, mark the record "not reportable–foreign vendor".

Error: One or more boxes show negative amounts.

Action Required:

1. A negative amount in any of the boxes will cause the entire record to be rejected and not be reported. In some cases, an error will have been made; in other cases, there are offsetting amounts in other boxes on the record.

2. Review the entries to determine why the totals are negative. Determine what errors exist and calculate the correct amounts that should be reported by Box Number. Any amounts that should have been reported will require the agency to manually prepare 1099 forms.

3. If the miscellaneous payments exceed $600.00 or if the interest payments exceed $10.00 for an FEIN/SSN, the amount must be reported by the agency on a manually prepared 1099 Form.

4. If the correction also affects the agency's accounting records, use TC 242/242R. When correcting errors after receiving the CFY200-3 and CFY200-4 reports, remember that TC 240/240R or other TCs posting to the RP File result in RP entries in the new tax year. This will cause future reporting problems. Once the CFY200-(series) reports are received by the agency (late December of each year), the reporting tax year file is closed.

   NOTE: Box Number and Name displayed on the reports relate to the amount boxes on the 1099-MISC Form. For instructions on how to complete this form, see IRS Publication "*Instructions for Forms 1099, 1098, 5498 and W-2G*."

1099 forms are available online at www.irs.gov/formspubs/index.html or by calling 1-800-tax-form (1-800-829-3676). In order to meet reporting deadlines, 1099 forms should be requested in November. If necessary, 1099 forms may be purchased at local office supply stores.

SPECIAL PURPOSE TRANSACTION CODES FOR POSTING TO THE RP FILE

Two Transaction Codes (R01 and R02) are provided for manual adjustment/correction of the Reportable Payment File. **TC R01** creates a record in the RP File to decrease the net amount and the **TC R02** creates a record in the RP File to increase the net amount reportable for a vendor. These transaction codes post only to the RP, History and General Ledger Files. They must be used to record abatements in the RP File when necessary (normally TC R01 is used). These TCs can also be used to post the RP File for ORF Reportable Payments in claim schedules that use the **AAAAAAAAAA-*nn*** Vendor Number (ORF check) on the expenditure transactions. These TCs should be used in other situations only when the RP File is the only file requiring adjustment. Do not use these TCs if other files need to be adjusted for changes to Vendor Number or Object Detail.

Whenever these TCs are used, it is important to develop a full audit trail identifying the original payment or abatement transaction. These TCs are not used to record original accounting events. Their use represents an additional posting for an abatement transaction or an adjustment to correct a previous payment transaction. In either case, a clear explanation attached to the batch containing these TCs and a complete audit trail to the original entries is required to adequately respond to vendor inquiries.

When using these TCs, entries cannot be summarized across Object Detail codes. In addition to determining whether a payment is reportable, the Object Detail also determines in which box on the 1099 form to report the payment. Therefore, adjusting entries must be done at the Object Detail level.

The following is a description of each transaction code:

TC R01 Create Record Decreasing RP File Balance
DR 6243 Direct Post to Reportable Pmt File-Offset
CR 6242 Direct Post to Reportable Payment File

This TC has the same effect on the RP File as a Claim Schedule Credit Memo transaction (TC 470/471) or claim cut transaction (TC 253). It **reduces** the reportable amount on a 1099 form for a vendor.

TC R02 Create Record Increasing RP File Balance
DR 6242 Direct Post to Reportable Payment File
CR 6243 Direct Post to Reportable Pmt File-Offset

This TC has the same effect on the RP File as a Claim Schedule Payment transaction (TC 231/240). It **increases** the reportable amount on a 1099 form for a vendor.

GLAs 6242 and 6243 are displayed on the G01 and G03 reports (to Fund '0000' when ordered by fund). However, they are defined as budgetary accounts (nominal effect) and are not included on any year-end reports or rolled forward to the new fiscal year during the year-end close and open process. The normal balance is a **debit** for GLA 6242 and a **credit** for GLA 6243. The balance of these GLAs will not necessarily equal the sum of the R01 and R02 transactions in the RP File because the General Ledger File is maintained on a Fiscal Year basis while the RP File is on a Tax Year basis.

When using TC R01 or R02 there are special coding requirements and edits applied to these transactions both on-line and in the nightly system update process. These transactions have the following coding requirements:

- ✪ Vendor Number is required and the Vendor Type must be **C**, **E**, **I** or **P**;
- ✪ An Object Detail Code is required and must be defined in the UCM as "Reportable"; and
- ✪ When the Vendor Type is **C** (Corporation) only Object Detail codes defined as payments to attorneys (Object Detail 415, 609 or 610) or medical payments are allowed.

If the above coding requirements are not followed, these transactions will receive one or more error codes.

RECORDING ABATEMENTS - RP FILE NOT AUTOMATICALLY POSTED

Abatements are receipts, although they reduce expenditures, and are not recorded with claim schedule transaction codes. Therefore, abatement transactions are not automatically evaluated for posting to the RP File. If an abatement received from a vendor represents an adjustment for a previous payment (e.g., return of overpayment, reduction of a previous payment for vendor incentives or discounts, etc.) and the previous payment was posted to the RP File, the abatement should also be posted to the RP File so that only the net payment is reported on the 1099 form. Abatements should be posted to the RP File on a cash basis (i.e., when cash is received). If a receivable document is established in the Document File for the abatement, any necessary posting to the RP File should occur when a collection is made on the receivable.

The following criteria should be used to determine when it is necessary to record an abatement to the RP File:

- ✪ The abatement is from a vendor established in the VE Table with a Vendor Type of **E**, **I** or **P**; and the abatement is for a payment previously recorded with an Object Detail listed as reportable in the UCM Object Chapter or for a payment previously recorded with RPI code **8**;

OR

- ✪ The abatement is from a vendor established in the VE Table with a Vendor Type of **C**; and it is for a payment previously recorded with an Object Detail in the UCM Object Chapter that is assigned RPI code **6** (i.e., Medical Services) or is a payment to an attorney (Object Detail 415, 609 or 610).Abatements reduce the amount reportable on a 1099 form for a vendor and are posted to the RP File with TC R01.

CORRECTING CLAIM SCHEDULE ENTRIES - RP FILE MAY NEED TO BE ADJUSTED

A general rule to follow when correcting original accounting entries that created a claim schedule is to prepare a manual claim schedule transaction (usually TC 240R) to reverse the original entry. CALSTARS determines if a payment is reportable only when the TC is a claim schedule transaction (i.e., claim schedule payment, credit memo, or claim cut).

Selecting the Appropriate Type of TC for Correcting RP Transactions

To ensure that correcting entries result in appropriate corrections to the RP File, care must be taken in selecting the TCs to be used. For example, a journal entry, TC 242 does not affect the RP File and should not be used for correcting Vendor Number, Object Detail code or the Input RPI code when the erroneous codes were previously recorded in a claim schedule transaction. Claim schedule transactions should be used to correct the Vendor Number, Object Detail code or Input RPI code when the incorrect codes were originally entered with claim schedule transactions. This will ensure the correcting transactions are evaluated for posting to the RP File the same as the original claim schedule transactions. Corrections will generally be recorded with manual claim schedule transactions. For example, if corrections are necessary for an automated claim schedule (e.g., TC 231, TC 232), the manual claim schedule transaction TC 240 should be used for the correcting entries. If the debit and credit correcting entries are entered in the same batch, no TC 360 entries are created (net zero). If the correcting entries are in more than one batch, multiple TC 360 (+,-) transactions that net to zero will post to Claims Filed (GL 3020). Like the correcting entries entered in the same batch, the system generated TC 360 entries should equal zero in the GLA 3020 Document File record.

Tax Year Segregation for RP Corrections

Correction transactions must post to the same Tax Year as the original transactions. In CALSTARS, the Tax Year for posting to the RP File is from the announced late December date through the following late December announced date. These dates are of particular importance when making corrections near or on the last day of the Tax Year. For example, if an erroneous payment transaction posts to the RP File on the last day of the Tax Year, a correcting transaction cannot be processed since it would post to the New Tax Year. A 1099 form would be created containing the erroneous data. In this case, a manual corrected 1099 form would be necessary.

Correcting PCA, Index, Project Number or Other Codes

If the only correction necessary is to change a PCA, Index Code, or Project Number/Work Phase, a TC 242 could be used for the correcting entry. Only theVendor Number, Object Detail and RPI fields in a claim schedule transaction are used to determine reportable payments. When other fields in a claim schedule transaction need to be corrected, the transaction code used for the correcting entries does not necessarily need to be a claim schedule transaction code.

CORRECTING VENDOR EDIT TABLE TYPE OR FEIN/SSN - RP FILE ADJUSTMENTS

Vendor Type and the vendor's FEIN (or SSN) in the VE Table are independently used for identifying reportable payments or for requiring 1099 reporting. If the code for either of these codes is changed in the VE Table, the RP File must be reviewed to determine if adjustments are necessary. Failure to identify and make needed adjustments will result in incorrect reporting for which the IRS may impose fines and penalties on the agency or vendor.

Changing Vendor Type in the Vendor Edit Table

Vendor Type (i.e., Individual, Corporation, etc.) in the VE Table is used in conjunction with the Object Detail to determine if a payment is reportable. When a vendor is incorrectly classified in the VE Table, which requires a change to the Vendor Type, correcting entries for payments made with the incorrect Vendor Type may be necessary. This correction process applies to situations where the vendor record was established incorrectly in the VE Table. It does not apply to situations where the legal status of the vendor has changed (e.g. vendor incorporated, thus changing from a Sole Proprietor to a Corporation). In these situations, it is recommended that a new, separate VE Table record be created effective with the vendor's change in legal status (e.g., use the same Vendor Number with a different Suffix). The existing VE Table record should be set to **Inactive** to prevent future use and set to purge following the completion of the tax year reporting. When VE Table changes to the Vendor Type are necessary because the table record was established incorrectly, the following process should be used to determine if it is necessary to correct any related accounting entries.

1. Set Vendor Edit Table record to **Inactive**. This will prevent posting additional transactions with the incorrect Vendor Type.

   NOTE: This step is unnecessary if the Vendor Type is changing from a numeric code to another numeric code or changing from a **P** to **E** or vice versa with no change in the FEIN.

2. Determine if the Vendor Number has been used in an accounting transaction. Determine the 'Last Used Date' for the vendor record by viewing it on the screen. If the 'Last Used Date' displays **No Date** or has a date from the Prior Tax Year, the Vendor Type may be corrected with no further action and the VE Table record may be changed back to **Active**, if Step 1 was used. (However, it may be necessary to manually prepare a corrected 1099 form for the Prior Tax Year if requested by the vendor). If the 'Last Used Date' contains a date falling within the Current Tax Year, then the transactions processed need to be reviewed as described below.

3. Identify payment transactions and choose a method of correction. Review the U01 report(s) to determine if any claim schedule transactions have been processed with the Vendor Number. If there are no claim schedule transactions for the vendor, the Vendor Type may be corrected with no further action and the VE Table record may be changed back to **Active**. If there are claim schedule transactions for the vendor, go to Step 4.

4. Recording correcting entries using one of the methods described below:

   There are two methods for making reportable payment corrections: reverse and re-enter the claim schedule transaction(s) or direct RP File posting. The best method to use is dependent on the number of transactions involved and the amount of cross-posting needed to readily respond to vendor inquiries regarding these payments.

   a. **Reverse and Re-enter Claim Schedule Transactions to Correct Vendor Type -** If the method selected is the reversal and re-entry of previous claim schedule transactions, use the U01 report(s) to identify the claim schedule payments. The P01 report should be reviewed to determine if any Reportable Payments have been recorded for the vendor and, if so, to ensure that these transactions have been identified on the U01 Report. The Vendor Payment Shadow File may be used to identify the claim schedule transactions if all payments have been made within the last 90 days. Prepare and enter the reversing transactions using an **I** Modifier code since the VE Table vendor record should be set to Inactive. After all reversing transactions have posted, change the Vendor Type and the SSN/FEIN, if necessary, in the VE Table and set the vendor record to active. Re-enter the claim schedule transactions. Review the P01 Report to verify that records with incorrect Vendor Type now net to zero as a result of the correcting entries.

   OR

   b. **Direct Posting to RP File to Correct Vendor Type**

      Direct RP File posting may increase the difficulty of recognizing actual payments on that file due to the TC R01 and R02 not appearing on the Vendor Payment File.

1) The first step is to evaluate the effect a Vendor Type change has on the determination of Reportable Payments. Some changes involve analyzing only entries in the RP File while other changes require the analysis of all claim schedule payment transactions. If the change to Vendor Type is one of the following, all claim schedule payment transactions must be reviewed to identify the adjustments necessary to the RP File:

   - Any numeric code change to any alpha code - Since all payments to vendors with a numeric Vendor Type are not reportable, changing the Vendor Type to an alpha code requires that all previously recorded claim schedule transactions be evaluated to determine if they are now reportable.

   - **C** change to any other alpha code - Since only Medical Services (RPI code **6**) and payments to attorneys (Object Detail 415, 609 and 610) are reportable for Corporations, changing the Vendor Type to another alpha code requires that all other previously recorded claim schedule transactions be evaluated to determine if they are now reportable. Also, any Medical Service payments or payments to attorneys currently in the RP File need to be adjusted for the change in Vendor Type and for the change from an FEIN to SSN if the Vendor Type is changing to **I**.

   If the change to Vendor Type is one of the following, only the entries in the RP File need to be reviewed and adjusted:

   - Any alpha code change to any numeric code - Since all payments to vendors with a numeric Vendor Type are not reportable, the RP File needs to be adjusted for any payments that were determined to be reportable with the incorrect Vendor Type.

   - **P**, **E** or **I** change to **C** - Since only Medical Services and payments to attorneys (Object Detail 415, 609 and 610) are reportable for Corporations, the RP File needs to be adjusted for any non-medical or non-attorney service payments. Also, an adjustment for any Medical Service payments or payments to attorneys is necessary to reflect the change in Vendor Type and for the change from a SSN to an FEIN taxpayer number if the Vendor Type is changing from **I**.

   - **P** or **E** change to **I** - Even though there is no change in reportable payments, the RP File needs to be adjusted for the change in Vendor Type and the change in the taxpayer number from an FEIN to a SSN.

   - **I** change to **P** or **E** - Even though there is no change in reportable payments, the RP File needs to be adjusted for the change in Vendor Type and the change to the taxpayer number from a SSN to an FEIN.

2) Adjusting entries required prior to changing Vendor Type - Using a P01 report sorted by Vendor Number, prepare and enter TC R01 and/or TC R02 adjusting entries to adjust to zero any reportable payments in the RP File with the incorrect Vendor Type. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.

3) Correct Vendor Edit Table. Correct the Vendor Type and, if necessary, the FEIN or SSN. Set the VE Table record back to **Active**.

4) Entries to Record the Reportable Payments with Correct Vendor Type - Determine which transactions must be reviewed as explained above and identify those that are reportable using the criteria explained in the Section I of this procedure. Enter TC R01 and/or R02 transactions to record the reportable payments in the RP File. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.

5) Request P01 Report Sorted by Vendor Number - Review a P01 Report requested after all adjusting entries have been processed. Verify that reportable payments with the incorrect Vendor Type, if any, now net to zero and that reportable payments with the correct Vendor Type are complete and correct.

Changing a vendor's FEIN or SSN in the VE Table

The FEIN or SSN contained in the VE Table is posted to the RP File for reportable payment transactions. In the RP File, the FEIN or SSN is the primary data on which reportable payments are accumulated for a vendor and reported on a 1099 form. If a vendor's FEIN or SSN is changed in the VE Table, adjustments are necessary in the RP File for any reportable payments that posted with the incorrect FEIN or SSN. If adjustments are not made when necessary, a 1099 form will be issued with the incorrect FEIN or SSN for reportable payments made prior to the correction to the VE Table. Agencies could be liable for fines and penalties imposed by the IRS for incorrect reporting. If the Vendor Type is changing in addition to the FEIN or SSN, use the correction process described above for changing the Vendor Type. If only the FEIN or SSN needs to be changed, the following process should be used for making necessary corrections:

1. Set the Vendor Edit Table to **Inactive**. This will prevent additional accounting transactions from posting to the RP File with the incorrect FEIN/SSN.

2. Determine if Vendor Number has been used in an accounting transaction. Determine the 'Last Used Date' for the vendor record by viewing it in the shadow file. If the 'Last Used Date' displays **No Date** or has a date from a previous Tax Year, the FEIN/SSN may be corrected with no further action and the Vendor Edit Table record may be changed back to Active. It might be necessary to manually prepare a corrected 1099 form for the prior Tax Year if requested by the vendor. If the 'Last Used Date' is within the current Tax Year, the transactions processed need to be reviewed and adjusted as described below.

3. Request a P01 Report sorted by Vendor Number. Determine if there are Reportable Payments recorded with the incorrect SSN/FEIN. No entries with the incorrect FEIN/SSN for the vendor in the P01 report indicates that the transactions processed were not reportable. In this case, no adjustments are necessary in the RP File. The FEIN/SSN can be corrected and the VE Table record changed back to **Active**. If there are entries with the incorrect FEIN/SSN for the vendor, corrections to the RP File are necessary.

4. Adjust reportable payments with Incorrect FEIN/SSN to zero - Prepare and enter transactions using TC R01 and/or TC R02 to bring the sum of the entries with the incorrect FEIN/SSN to zero. For a discussion of using TCs R01 and R02 refer to the earlier *Special Purpose Transaction Codes For Posting To The RP File* Section of this chapter.

5. Correct the Vendor Edit Table. Correct the FEIN or SSN and set the VE Table record back to **Active**.

6. Entry to record the reportable payments with correct FEIN/SSN - Enter the exact same transactions that were entered above except code with a '**R**' reverse code.

7. Request another P01 Report sorted by Vendor Number - Verify that the total amount reportable for the incorrect FEIN/SSN is now zero. The total for the correct FEIN/SSN should be the same amount as reported on the P01 report requested above before the correcting entries were processed.

REPORTABLE PAYMENTS MADE FROM THE OFFICE REVOLVING FUND

Reportable payments made from an agency's Office Revolving Fund (ORF) are not automatically identified and posted to the RP File. Agencies must use one of the two methods described below to identify Reportable Payments and record them in the RP File.

A. METHOD ONE: Manually Identify Reportable Payments; Post to the RP File

Using the criteria described in the *How Reportable Payments are Identified in CALSTARS* section at the beginning of this chapter, identify those ORF payments that are reportable. Record any Reportable Payments in the RP File using TC R02.

-OR-

B. METHOD TWO: Code ORF Reimbursement Claim Schedules to Identify Reportable Payments

Enter manual ORF reimbursement claim schedules with the vendor numbers of the actual vendors who received the ORF checks instead of the ORF cashier vendor number. By using the actual Vendor Number the reportable transactions are automatically identified and posted to the RP File. The following points need to be considered when using this method:

The claim schedule "face sheet" and remittance advice forms must be manually prepared using the ORF cashier vendor number since the actual vendors are entered on the claim schedule transactions. For this reason, manual claim schedule transaction codes must be used with this method.

- ✪ The Invoice field of the transactions in the ORF reimbursement claim schedule batches should be coded to indicate the schedule is reimbursing ORF, not making a payment to the vendor. This information will then be clearly displayed on the Vendor Payment Shadow File and on reports from the Vendor Payment File. While this information could alternatively be coded in the Current Document or Reference Document fields, the Invoice field is recommended since this field is also posted to the RP File and displayed on RP File reports. For agencies using CALSTARS ORF, activity in the Vendor Payment File for a vendor will contain both the entry in Fund 0998 for the ORF check as well as the entry in the ORF advancing fund for the claim schedule reimbursing ORF.

- ✪ Agencies using this method will likely want to schedule ORF reimbursements for employees in separate claim schedules from those for vendor payments since only vendor payments are evaluated for reportable payments. This would allow for normal coding and processing of ORF reimbursement claim schedules for ORF activity involving employees.

- ✪ If more than twelve vendors are included in an ORF Reimbursement Claim Schedule, multiple claims filed transactions (TC 360) are generated creating multiple claims filed documents in the Document File (i.e., system inserts A, B, etc., instead of zero, for the eighth digit of the claim schedule number). When recording the CD-102 received from the SCO, it is necessary to enter multiple TC 252 transactions or automated TC 362's generated to liquidate each document.

Regardless of the method used, procedures must ensure that reportable payments made from ORF are recorded in the RP File within the same Tax Year that the ORF check is issued to the vendor.

TRANSMITTING REPORTABLE INFORMATION TO THE FTB

On the announced late December date each year, after IEUP, the Reportable Payment File is closed for the current calendar year. This allows time for all claim schedules entered and printed prior to this date to reach the SCO and be paid in the current calendar year. This cut-off date also allows CALSTARS time to prepare a tape of the file in the format required by FTB. The FTB will produce the 1099 forms and mail them to the vendors before the January due date in the following calendar year. It is important that agencies have a review process that starts in November of each year covering the following items:

- Manual claim schedules submitted to the SCO for payment prior to the announced late December date must be entered in CALSTARS by this date.
- Automated claim schedules printed by CALSTARS prior to the announced late December date must be submitted to the SCO for processing immediately.
- Reportable payments made from ORF must be posted to the RP File by the announced late December date.
- Review the P01, P02 and X03 reports discussed in the earlier *Reports From The RP File And Vendor Edit Table* Section of this chapter. Any necessary corrections must be made prior to the announced late December date.
- On the announced date, request a P01 Report and retain it with the CFY200-1 and CFY200-2 reports for future reference. This will have all the information from the RP File for the calendar year. Because of the dollar limitations for preparing the 1099 forms, not all information on the P01 will be on the CFY200-1 and CFY200-2 reports that support the issued 1099 forms.

CORRECTING 1099 FORMS ISSUED TO VENDORS

Erroneous or incorrect 1099 forms issued based on data in the RP File must be corrected by filing a corrected 1099 form. The instructions for filing corrected returns and the 1099 forms can be obtained from the IRS by calling the IRS forms request telephone number listed in local telephone directories.

Causes for issuing incorrect 1099 forms can be grouped into two categories, incorrect data and timing, as discussed below:

- Incorrect data - This category includes such situations as payments recorded with incorrect information or the subsequent cancellation of a payment was not recorded in CALSTARS or recorded incorrectly. Examples of these situations are incorrect identification of the vendor in the VE Table (e.g. FEIN/SSN incorrect or Vendor Type incorrect), selection of an inappropriate Object Detail and recording a subsequent claim cut or abatement incorrectly.Most incorrect 1099 forms will likely fall into this category. Issuing a corrected 1099 form is the only action necessary.
- Timing - This category encompasses those situations where a transaction adjusting a previous payment occurs in the next Tax Year. An example is a claim cut issued after the announced late December date for a payment processed on or before that date. These situations will usually require adjustments in the RP File in addition to issuing a corrected 1099 form. In the example cited above, the RP File needs to be adjusted to 'zero out' the claim cut transaction in the new Tax Year since the related payment transaction was posted in the prior Tax Year.

The identification of reportable transactions in CALSTARS occurs prior to the actual issuance of a warrant by the SCO. To compensate for this timing difference, the announced late December date is established as the cut-off date for the Tax Year in CALSTARS. Due to the timing, there may be some rare instances of a vendor receiving a warrant dated just prior to or just after the Tax Year in which the 1099 form is issued that needs correction.